

CENTRAL KANSAS LIBRARY SYSTEM

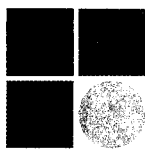
Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2010

CENTRAL KANSAS LIBRARY SYSTEM
Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2010

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Central Kansas Library System
Great Bend, Kansas

We have audited the accompanying financial statements of **Central Kansas Library System**, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of **Central Kansas Library System's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **Central Kansas Library System** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Central Kansas Library System**, as of December 31, 2010, or the changes in financial position for the year then ended. Further, **Central Kansas Library System** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of **Central Kansas Library System**, as of December 31, 2010, and their respective cash receipts and disbursements and budgetary results for the year then ended on the basis of accounting described in Note 1.

Adams Brown, Beran & Ball, Chtd.

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

August 03, 2011

CENTRAL KANSAS LIBRARY SYSTEM
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories							
General Fund	\$ 185,270	-	1,897,678	1,729,300	353,648	48,509	402,157
Special Revenue Funds							
State Resource Grant Fund	142	-	92,449	92,591	-	-	-
Kansas Talking Books Service Grant Fund	34,265	-	62,279	67,198	29,346	-	29,346
Dane G. Hansen Grant Fund	-	-	10,000	-	10,000	-	10,000
Pathfinder Central ILS Grant Fund	-	-	25,473	18,235	7,238	14,039	21,277
Fiduciary Fund Category							
Private Purpose Trust Fund							
Processing Center Fund	3,083	-	21,603	19,905	4,781	724	5,505
Total Reporting Entity	\$ 222,760	-	2,109,482	1,927,229	405,013	63,272	468,285
			Composition of Cash	Savings Accounts			
				Checking Accounts			
						\$	\$ 352,027
							116,258
				Total Reporting Entity		\$	468,285

The notes to the financial statements are an integral part of this statement.

CENTRAL KANSAS LIBRARY SYSTEM
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2010

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Categories					
General Fund					
General Fund	\$ 1,824,393	-	1,824,393	1,729,300	(95,093)
Special Revenue Funds					
State Resource Grant Fund	89,819	2,630	92,449	92,591	142
Kansas Talking Books Service Grant Fund	98,245	-	98,245	67,198	(31,047)
Fiduciary Fund Category					
Private Purpose Trust Fund					
Processing Center Fund	92,721	-	92,721	19,905	(72,816)

The notes to the financial statements are an integral part of this statement.

CENTRAL KANSAS LIBRARY SYSTEM

General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2010

(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Current Property Tax	\$ 1,158,570	1,672,748	1,707,736	(34,988)
Delinquent Tax	12,829	15,197	-	15,197
Motor Vehicle Tax	96,598	88,552	96,157	(7,605)
Jordan Library Contract	9,275	6,525	6,000	525
Other Contract Income	1,125	-	-	-
Miscellaneous Income	3,179	3,298	5,000	(1,702)
Interest	3,939	3,737	6,000	(2,263)
Donations	1,335	498	1,000	(502)
KOHA and Other Reimbursements	6,731	8,663	-	8,663
Telephone Maintenance Reimbursements and Internet	2,456	3,684	2,500	1,184
E-Rate Reimbursements	5,912	5,779	-	5,779
Shared Salary Reimbursements	66,058	88,997	-	88,997
Total Cash Receipts	<u>1,368,007</u>	<u>1,897,678</u>	<u>1,824,393</u>	<u>73,285</u>
Expenditures				
Personnel	676,555	720,391	768,500	(48,109)
Central Administration	131,044	401,155	327,210	73,945
Continuing Education	10,565	14,020	10,000	4,020
Children's Services	8,883	7,129	6,661	468
Public Information	19,242	11,375	5,500	5,875
Automation	13,732	18,578	14,700	3,878
Books by Mail	7,645	5,528	3,000	2,528
Rotating Books	48,393	65,202	59,118	6,084
Reference	25,986	22,991	25,700	(2,709)
Pathfinder Central ILS	8,954	15,503	85,900	(70,397)
Interlibrary Loan	40,302	7,462	31,925	(24,463)
Technical Services	70,199	80,802	94,882	(14,080)
Kansas Talking Books January thru September	33,134	12,925	24,725	(11,800)
Kansas Talking Books October thru December	2,003	1,122	8,241	(7,119)
Grants	239,140	345,117	358,331	(13,214)
Total Expenditures	<u>1,335,777</u>	<u>1,729,300</u>	<u>1,824,393</u>	<u>(95,093)</u>
Cash Receipts Over (Under) Expenditures	32,230	168,378		
Unencumbered Cash - Beginning	<u>153,040</u>	<u>185,270</u>		
Unencumbered Cash - Ending	\$ <u>185,270</u>	<u>353,648</u>		

The notes to the financial statements are an integral part of this statement.

CENTRAL KANSAS LIBRARY SYSTEM
State Resource Grant Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
State Aid	\$ 100,153	92,449	89,819	2,630
Expenditures				
Salaries	65,008	92,591	44,819	47,772
Books, Materials and Audiovisual	13,821	-	35,000	(35,000)
Contractual Services	21,182	-	10,000	(10,000)
(a) Adjustment for Qualifying Budget Credits	-	-	2,630	(2,630)
Total Expenditures	100,011	92,591	92,449	142
Cash Receipts Over (Under) Expenditures	142	(142)		
Unencumbered Cash - Beginning	-	142		
Unencumbered Cash - Ending	\$ 142	-		
(a) Adjustment for Qualifying Budget Credits				
State Aid Over Amount Budgeted			\$ 2,630	

The notes to the financial statements are an integral part of this statement.

CENTRAL KANSAS LIBRARY SYSTEM
Kansas Talking Books Service Grant Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
State and Federal Aid				
11-LSTA-3-B	\$ -	46,231	-	-
10-LSTA-3-B	47,410	16,048	-	-
09-LSTA-3-B	15,504	-	-	-
Total Cash Receipts	62,914	62,279	64,877	(2,598)
Expenditures				
Salaries	62,140	67,198	98,245	(31,047)
Cash Receipts Over (Under) Expenditures	774	(4,919)		
Unencumbered Cash - Beginning	33,491	34,265		
Unencumbered Cash - Ending	\$ 34,265	29,346		

The notes to the financial statements are an integral part of this statement.

CENTRAL KANSAS LIBRARY SYSTEM
Dane G. Hansen Grant Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Grant Revenue	\$ -	10,000
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	-	10,000
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	10,000

The notes to the financial statements are an integral part of this statement.

CENTRAL KANSAS LIBRARY SYSTEM
Pathfinder Central ILS Grant Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid	\$ -	25,473
Expenditures		
Salaries	25,958	-
Professional Services	4,188	5,696
Equipment, Maintenance and Remodeling	12,671	12,539
Total Expenditures	42,817	18,235
Cash Receipts Over (Under) Expenditures	(42,817)	7,238
Unencumbered Cash - Beginning	42,817	-
Unencumbered Cash - Ending	\$ -	7,238

The notes to the financial statements are an integral part of this statement.

CENTRAL KANSAS LIBRARY SYSTEM
Kan Ed Broadband Grant Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ -	-
Expenditures		
Internet	2,085	-
Cash Receipts Over (Under) Expenditures	(2,085)	-
Unencumbered Cash - Beginning	2,085	-
Unencumbered Cash - Ending	\$ -	-

The notes to the financial statements are an integral part of this statement.

CENTRAL KANSAS LIBRARY SYSTEM
Processing Center Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Reimbursements	\$ 26,919	21,601	90,000	(68,399)
Interest	3	2	-	2
Total Cash Receipts	<u>26,922</u>	<u>21,603</u>	<u>90,000</u>	<u>(68,397)</u>
Expenditures				
Books, Materials and Audiovisual	25,985	19,905	92,721	(72,816)
Miscellaneous	575	-	-	-
Total Expenditures	<u>26,560</u>	<u>19,905</u>	<u>92,721</u>	<u>(72,816)</u>
Cash Receipts Over (Under) Expenditures	362	1,698		
Unencumbered Cash - Beginning	<u>2,721</u>	<u>3,083</u>		
Unencumbered Cash - Ending	\$ <u>3,083</u>	<u>4,781</u>		

The notes to the financial statements are an integral part of this statement.

CENTRAL KANSAS LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Central Kansas Library System has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The Library System is a municipal corporation governed by a board whose members are appointed by the Governor of the State of Kansas. The financial statements of the Library System consist of all the funds of the Library System that are considered to be controlled by or dependent on the Library System. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The Library System has no component units.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the Library System are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the Library System for the year ended December 31, 2010.

Governmental Fund Categories

General Fund – to account for all financial resources except those required to be reported in another fund.

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

Fiduciary Fund Category

Private Purpose Trust Fund – to account for assets held by the Library System as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

CENTRAL KANSAS LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The Library System has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Library System to use the statutory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Library System are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication

CENTRAL KANSAS LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the Library System for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for fiduciary funds and the following special revenue funds: Dane G. Hansen Grant Fund, Pathfinder Central ILS Grant Fund and Kan Ed Broadband Grand Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Deposits and Investments

The Library System follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the Library System. The statute requires banks eligible to hold the Library System's funds have a main or branch bank in the county in which the Library System is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Library System has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Library System's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Library System has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Library System may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library System's deposits may not be returned to it. State statutes require the Library System's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a

CENTRAL KANSAS LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Library System does not use "peak periods". All deposits were legally secured at December 31, 2010.

At December 31, 2010, the Library System's carrying amount of deposits was \$468,285 and the bank balance was \$514,911. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$253,213 was covered by federal depository insurance and \$261,698 was collateralized with securities held by pledging financial institutions' agents in the Library System's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Library System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The Library System had no investments at December 31, 2010.

Compensated Absences

Vacation

The Library System's policy regarding vacation is as follows:

Director -- will accrue 22 days the first year and 22 days annually thereafter.

Administration and Professional Staff

- 15 days - 1 year of service
- 20 days - 1 to 10 years of service
- 22 days - 10 years or more of service

Supervisory Personnel

- 10 days - 1 year of service
- 15 days - 1 to 10 years of service
- 20 days - 10 years or more of service

Support Staff

- 5 days - 1 year of service
- 10 days - 1 to 10 years of service
- 15 days - 10 years or more of service

Part-time regular employees accrue a proportionate allowance based on the full-time allowance for their position. Part-time hourly student employees accrue no vacation time. Only upon the approval by the Director may vacation time be carried over into the next year, and then it is only allowed to accumulate up to five days.

Sick Leave

Full-time employees shall earn and accrue sick leave at the rate of one day per month, up to a maximum of 100 days, which is forfeited upon termination of the employee. Part-time regular employees are allowed to accrue proportionate sick leave based on number of hours worked in relation to a full-time position.

CENTRAL KANSAS LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Included in the accumulated sick leave balance is an amount of the Library System's sick leave pool. The purpose of the sick leave pool is to allow staff members to contribute unused sick leave to a pool and allow participating members, who would otherwise have their pay reduced, draw from the pool and avoid having their pay reduced. The number of sick leave days that can be drawn from the pool by one individual in any one year is limited to 20 percent of the days in the pool or one month, whichever is greater. The number of sick leave days that can be drawn by all individuals is limited to the total days in the pool.

A potential liability of \$5,804 for accumulated vacation and \$101,653 for accumulated sick leave exists at December 31, 2010.

Defined Benefit Pension Plan

Plan Description

The Library System contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2010 was 7.14% and 12.52% for KPERS retirees. The Library System's employer contributions to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$45,232, \$32,642, and \$28,748, respectively, equal to the required contributions for each year as set forth by the legislature.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the Library System allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Library System is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Library System makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the Library System under this program.

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied

CENTRAL KANSAS LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts. Also, donations received by the Library System that are designated for the low vision program are restricted for low vision expenditures. The amount that was restricted at December 31, 2010 was \$1,518 and was included in the general fund's unencumbered cash.

Reimbursements

The Library System records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

NOTE 2 – PROCESSING CENTER FUND

The Processing Center Fund serves as a clearing account through which various member libraries within the system order books.

NOTE 3 – LITIGATION

Central Kansas Library System is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Library System.

NOTE 4 – RISK MANAGEMENT

Central Kansas Library System carries commercial insurance for risks of loss, including property, general liability, inland marine, workers' compensation, automobile, and umbrella. The Library System has elected to obtain comprehensive and collision coverage on all Library System owned motor vehicles. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 5 – GRANTS AND SHARED REVENUES

Central Kansas Library System participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Library System has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Library System, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

CENTRAL KANSAS LIBRARY SYSTEM

Notes to Financial Statements

December 31, 2010

NOTE 6 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **Central Kansas Library System's** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

NOTE 7 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Expenditures exceeded budget authority in the following fund, which is a violation of K.S.A. 79-2935:

State Resource Grant Fund	\$ (142)
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K.S.A. 10-816 requires checks outstanding for two years or more to be cancelled and restored to the fund originally charged. At year end, the Library System still had six outstanding checks from 2007 and 2008.

NOTE 8 – OPERATING LEASES

Central Kansas Library System currently renewed an operating lease for one mail machine to be used within the Library System. The monthly rental payments are \$236. Payments for the year ended December 31, 2010 totaled \$2,832.

Future minimum lease payments for the years ended December 31 are as follows:

2011	\$ 2,832
2012	2,832
2013	2,832
2014	2,832
2015	708

NOTE 9 – RECLASSIFICATIONS

Expenditures in the General Fund in the prior year actual comparative totals have been reclassified to the current year presentation. Expenditures were reclassified to individual departments for budgetary purposes.

NOTE 10 – LONG-TERM DEBT

Changes in long-term debt for the Library System for the year ended December 31, 2010, were as follows:

	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
Compensated Absences	N/A	N/A	N/A	N/A	\$ 91,488			15,969	107,457	N/A